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State Department review completed

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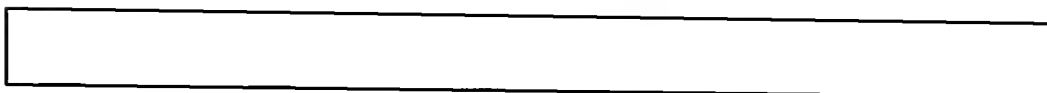
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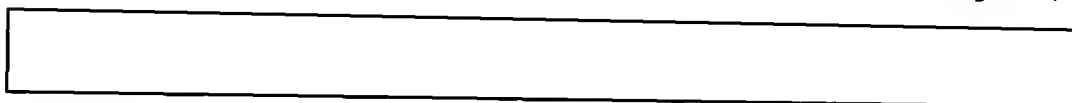


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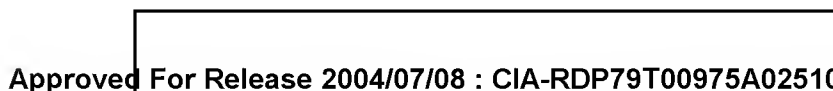
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THE NEW POLITBURO OF THE 10th CENTRAL COMMITTEE

*Mao Tse-Tung, Chairman

† *Wang Hung-wen	Number-three man of Shanghai and the fastest rising member of China's present leadership; a Cultural Revolution activist and a probable protege of Chang Chun-chiao, he may have moderated his once-radical political position.
† Wei Kuo-ching	Boss of Kwangsi Province who came down hard on rampaging Red Guards during the Cultural Revolution.
*Yeh Chien-ying	A military man and de facto defense minister.
Liu Po-cheng	Retired marshal; an honorary elder.
Chiang Ching	Mao's wife and leader of radical elements during the Cultural Revolution.
*Chu Te	Retired marshal and early builder of the army; an honorary elder.
Hsu Shih-yu	Kiangsu party boss and commander of Nanking Military Region.
† Hua Kuo-feng	Hunan party boss now residing in Peking and active in national politics since the Cultural Revolution; little is known of his political views.
Chi Teng-kuei	From Honan Province; rose to prominence during the Cultural Revolution.
† Wu Teh	Peking party boss and former head of Kirin Province.
Wang Tung-hsing	Mao's former bodyguard; director of the central office of the Central Committee.
† Chen Yung-kuei	Boss of Tachai Commune, China's national agricultural model.
Chen Hsi-lien	Liaoning party boss and commander of Shenyang Military Region.
Li Hsien-nien	Finance minister and long-time associate of Chou En-lai.
*Li Te-sheng	A military man, head of the General Political Department of People's Liberation Army, and Anhwei Province party boss.
*Chang Chun-chiao	Party boss of Shanghai and possibly party secretary general; generally believed to be one of the more powerful members of the Politburo who may have moderated his former radical views.
*Chou En-lai	Premier.
Yao Wen-yuan	Number-two man in Shanghai and a prominent leader of radical forces during the Cultural Revolution.
*Kang Sheng	Former head of the security apparatus who was criticized for radical excesses during the Cultural Revolution; believed to be in poor health.
*Tung Pi-wu	An honorary elder who is acting President of the People's Republic of China.

ALTERNATES TO THE POLITBURO

† Wu Kuei-hsien	A female worker
† Su Chen-hua	Deputy commander of the navy
† Ni Chih-fu	A worker
† Saifudin	Head of Sinkiang Province and, as a Uighur, one of the highest ranking minority cadre in China

* Member of Standing Committee of Politburo

† New member of Politburo

CHINA: The new party Politburo, elected yesterday at a Central Committee plenum, remains a fairly balanced mix of party regulars, Cultural Revolution ideologues, military men, and elder statesmen.

The Politburo is the same size as its predecessor--21 full members and four alternates. All of the recently active members were re-elected, and none of the party officials rehabilitated earlier this year regained Politburo membership. There are nine newcomers, including four provincial party chiefs who are all civilians, a deputy commander of the navy, three workers--one of whom is female--and one "model peasant." Two of the newcomers are from ethnic minority groups.

The Central Committee elected five vice chairmen of the party, and it seems likely that this group will become a collective leadership in the immediate aftermath of Mao's death. Chou En-lai is foremost among this group. An important role over the long term will be played by the two younger vice chairmen, Wang Hung-wen, a young party official from Shanghai, and Li Te-sheng, a military man who rose to prominence during the Cultural Revolution and whose ideological leanings are not clear. Wang has a radical background, but he may have moderated his views since the Cultural Revolution in the interest of consolidating his position and working more smoothly with the other Politburo members.

The Politburo's powerful Standing Committee consists of Mao, the party vice chairmen, two honorary elders, and Shanghai party boss Chang Chun-chiao, probably one of the most powerful members of the top leadership. That Chang was not named as a party vice chairman may mean that he holds the important post of party secretary general. The

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elevation of the two elder statesmen to this elite group was probably designed to deny these positions to Madame Mao and her protege Yao Wen-yuan, two ardent leftists who have clearly been downgraded by their exclusion.

Although the top echelons of the party--the vice chairmen and the Standing Committee of the Politburo--include several former leftists, they are people with whom Chou En-lai can work. Chou probably has been strengthened somewhat by the addition to the Politburo of moderate provincial leaders and by the election to the Central Committee of several government officials who are close to him. [REDACTED]

[REDACTED]

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AUSTRALIA: The Labor government has announced that defense spending will be significantly reduced.

The reduction reflects the Labor administration's rejection of the "forward defense" posture of the predecessor government and Labor's decision to phase out Australian troop presence in Malaysia and Singapore. It is also in line with Labor's view that developments in Indochina, together with the Sino-US detente, have greatly reduced the possibility of a serious threat to Australian security.

Defense Minister Barnard stated last week that defense spending will be reduced from about 3.5 to 2.9 percent of the gross national product, necessitating cutbacks in defense purchases and reductions in both civilian and uniformed manpower in the three armed services. The reductions have already evoked strong criticism from opposition Liberal Party members, who are particularly concerned over cuts in the navy. The reductions could affect naval participation in the five-power defense arrangement for the defense of Malaysia and Singapore and Canberra's capability to carry out other international commitments.

Barnard stated that the navy, which has received the smallest share of the defense budget in the past, would not proceed with the construction of a fast combat support ship. Cancellation of construction of this ship, which would replace the navy's aging troop carrier, means that Australia will not have the capability to move and support significant numbers of troops overseas. The reductions also indicate that there is little chance that Canberra will buy or build another aircraft carrier. The country's present aircraft carrier is due to be retired by 1980.

The Defense Minister also said that the government had deferred a decision on whether to acquire three light destroyers. By 1980, 11 of Australia's 13 destroyers will have been afloat for 12 to 26

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years. A replacement program will have to be started soon if the force is not to dwindle in number of ships and effectiveness.

Barnard also announced cuts in the other two armed services. The air force will disband one of its four Mirage jet fighter squadrons. The army--which received a personnel cut last December when the government ended military conscription--will undergo a further reduction in its support components. [REDACTED]

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VENEZUELA-CUBA: Diplomatic relations with Havana may be established before President Caldera leaves for the United Nations General Assembly in mid-September. Foreign Minister Calvani told newsmen in Mexico City on 29 August that his government had made its decision and is only awaiting Cuba's answer. The response is almost certain to be favorable, but it may be delayed for some weeks. The Cuban leaders who would be involved in considering the Venezuelan offer have been occupied with Romanian President Ceausescu's visit and with preparations for the nonaligned conference in Algiers next week, in which Cuba hopes to play a major role.

Re-establishing relations with Havana, just a few months before general elections in December, would be generally well received and might win further leftist support for the government's presidential candidate, who now trails in public opinion polls. It could also add impetus to efforts to remove the OAS sanctions--imposed in 1964 at Venezuela's urging--that have been used to isolate the Castro government. Venezuela is now trying to line up support for an OAS resolution proposing to make continuation of the sanctions a matter for each country to decide unilaterally. [REDACTED]

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ARGENTINA: Some Peronists reportedly plan to use a massive labor rally today in Buenos Aires to call for the immediate designation of Peron as president. While Peron still seems committed to the elections planned for 23 September, the possibility of a sudden shift cannot be ruled out in view of the erratic course he has pursued in recent months.

The press and some Argentine officials have reported that the rally could provide a popular groundswell for Peron and serve as a pretext for the resignation of Provisional President Lastiri. This in turn would pave the way for Peron's immediate return to power with the consent of Congress.

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In addition, two of Peron's closest labor union collaborators have publicly denied that the marchers will demand an immediate change. Peron, moreover, probably recognizes that any deviation from current constitutional procedure would provoke serious military opposition and a loud outcry from other political parties. He certainly would prefer to take office under more auspicious circumstances.

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(Sudan: The authorities closed Khartoum University yesterday because of unruly demonstrations in the capital, which were apparently abetted by political opposition groups.

The demonstrations grew out of an incident on Wednesday during which secondary school students stoned an army vehicle, killing one soldier and wounding several others. The demonstrators were protesting the arrest of a student who was distributing anti-government leaflets.

During the clashes yesterday police used tear gas and fired on rock-throwing demonstrators. There are unconfirmed reports of student casualties.

There are strong indications that the traditionalist Muslim Brotherhood and perhaps the weak, but still active Communists, had a hand in yesterday's well-organized demonstrations. Muslim Brotherhood agitators at Khartoum University have been a thorn in the government's side since May when they began to exploit price rises and other inflammatory issues.

Although the security forces thus far have the situation under control, the closure of the university puts students on the streets and provides another grievance that could trigger further incidents.

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ICELAND: The first fatality attributable to the Cod War will complicate the government's problems in dealing with Icelandic-NATO relations and the future of the US base.

A crewman on an Icelandic Coast Guard cutter was electrocuted on 29 August while trying to repair damage to the vessel caused by a British frigate. The repair attempt took place inside the 12-mile limit. The crewman's death may result in demonstrations against the British in Reykjavik.

The incident is certain to result in increased criticism of the government, particularly of its Progressive Party leadership. Prime Minister Johannesson was scored recently by leaders from both the right and left during a TV panel discussion about the fishing issue. An opposition Independence Party spokesman joined forces with a Communist panelist to castigate Johannesson for failing to strengthen the coast guard to permit adequate patrolling of the enlarged 50-mile area. The death of the crewman will give supporters of this argument additional ammunition.

The incident will also make it difficult for government officials who are sympathetic to NATO and the US to voice their support for retaining the base, scheduled for negotiation next month. Foreign Minister Agustsson, due to visit Bonn next week to discuss the fishing dispute, may be able to take some of the pressure off the government if he is successful in getting a settlement with the Germans. Such an agreement would [redacted] reflect progress in the present impasse. Bonn and Reykjavik were still far apart on details of a settlement when talks recessed in June. German fishing interests in the Icelandic area are not as extensive as those of the British, however, and Bonn has indicated a desire to settle the matter before the end of the year.

[redacted]

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KOREA: North Korea is exploiting Seoul's problems with the Kim Tae-chung kidnaping, threatening to suspend the North-South talks and hoping to undercut Seoul in the UN next month.

Pyongyang on 28 August called on Seoul to remove its chief spokesman at the talks, CIA Director Yi Hu-rak. Accusing Yi of masterminding the kidnaping, the statement strongly implied that the meetings could not continue unless Yi was ousted. Pyongyang has been unhappy with the negotiations for some time because they have not accelerated US withdrawal or provided an opportunity to influence the political situation in the South. The North obviously saw the Kim case as an opportunity to blame Seoul for any breakdown of the talks. In Seoul, Yi immediately came to his own defense, denied the North Korean charges, and hurled back a few accusations of his own. He was careful to leave room for a continuation of the talks, so as to place the onus for any hiatus on the North. The charges and countercharges left little doubt that the talks are now in abeyance, but neither side is anxious to precipitate a formal break. Both recognize that their major allies regard the negotiations as an important stabilizing influence on the peninsula and want the talks to continue despite the lack of progress.

The effect of the Kim affair on the negotiations may be overshadowed by the more immediate problem of next month's UN debate. The North Korean statement tried to promote the notion that the kidnaping showed Seoul's irresponsibility on the international scene with the hope that this will undercut the South's attempts to line up support for its proposal on dual admission of the Koreas to the UN. Pyongyang is strongly opposed to a two-Koreas solution and has actively lobbied for weeks to marshal support within the UN to defeat Seoul's efforts. The new propaganda initiative further complicates the efforts of

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Seoul's principal allies as they prepare for the Assembly. Pyongyang's supporters can be expected to keep up the pressure.

The North's statement will also add fuel to mounting Japanese demands that the South Koreans provide a factual accounting of the Kim case. Seoul continues to deny any government involvement, CIA or otherwise, and the new North Korean charges will probably serve to harden that position and thus result in additional strains on Seoul's relations with Tokyo. [REDACTED]

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PAKISTAN: The extensive flood damage has increased food import requirements substantially and probably will reduce export earnings during the next year. A preliminary estimate by the US Embassy indicates serious losses to both stored wheat and standing crops. More definitive figures will be available next week after survey teams in the Punjab begin providing flood damage reports.

The embassy estimates losses of stored wheat at 800,000 metric tons, or more than ten percent of the amount harvested this spring. Most of the damaged wheat was in private hands. Although government stocks of wheat were affected only minimally, additional wheat imports probably will be needed to meet increased demands on the ration shops. In addition, some 100,000 tons of maize and other minor crops are believed to have been lost, further increasing the need for foodgrain imports.

Roughly 15 percent of the current rice crop--some 350,000 to 400,000 tons--is estimated to have been destroyed. These losses will curb rice exports during the next year. Estimated losses of sugar and cottonseed oil, 120,000 tons and 40,000 tons respectively, will pose added problems. During the past year, the government has imported large quantities of sugar and oil and has rationed sugar. The immediate problem, however, is distribution of food to those in flood-affected areas.

The embassy further estimates cotton losses at 800,000 bales, or about 20 percent of the cotton crop and equivalent to more than half of raw cotton exports during the past year. Cotton is Pakistan's major commercial crop, with raw cotton making up 27 percent of export earnings in 1972. Islamabad banned the export of raw cotton on 27 August to maintain supplies for the domestic textile industry, which accounts for almost half of large-scale manufacturing in Pakistan.

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The Bhutto government has reacted vigorously and effectively in organizing relief projects. The opposition parties, with nothing to compare to government resources at their command, have been unable to gain much credit for their relief operations and, consequently, have confined themselves largely to sniping at government efforts. The opposition figures who insisted on launching a previously scheduled protest campaign against Bhutto in spite of the floods may have lost considerable popular support. Islamabad took swift repressive action against the protestors, apparently without stimulating much sympathy for them.

The future is less clear. Failure of the government to secure adequate food and other necessities for the flood victims and to keep rapidly rising prices within bounds could still lead to rioting, serious clashes with the security forces, and growing popular disenchantment with the government.

[REDACTED]

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AFGHANISTAN: The new government is demonstrating an increasing sense of insecurity, although no serious opposition appears to have developed so far.

The US ambassador reports continuing confusion in government operations with evidence accumulating that internal tensions have been increasing markedly in the past few weeks. One sign of this has been the increased harassment of foreigners. Americans in recent days have had radios confiscated and their homes forcibly entered by military personnel. A few Americans have been subjected to long periods of police interrogation following relatively minor incidents.

The government, composed largely of young, untested, and frequently incompetent individuals, has failed to impress most observers in Kabul. Although there has been almost no forward motion, President Daud did outline in some detail his government's goals in both the domestic and foreign policy fields in a radio address on 23 August. He called for action to revitalize the economy and consolidate the republican form of government, and for dramatic new policies to bring about social justice. In sum, Daud proposed a program that stresses state control over the economy and is heavily authoritarian in both the political and social fields.

In foreign policy, Daud reiterated a policy of nonalignment, emphasized the good neighborly ties with the Soviet Union, and called for better relations with China and Iran. As in his initial address following the coup last month, he noted that Pakistan was the only neighbor with which problems existed, but this time Daud played the Pushtunistan issue in relatively low key.

The broadcast appears to reflect the divergent views of those in the ruling coalition, the young military officers and the older, more conservative cronies of Daud. The two factions appear likely to continue working together at least for the present, because each seems to recognize the need for the other in view of the major problems facing the new regime. [REDACTED]

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FOR THE RECORD*

Cuba-Caribbean: Jamaican Prime Minister Manley has accepted Fidel Castro's invitation to travel with him to the nonaligned conference in Algiers next week. Prime Minister Burnham of Guyana and a delegation from Trinidad-Tobago will also accompany Castro. The Cuban leader apparently will pick up Manley and the Trinidad-Tobago delegation in Port of Spain on 3 September after his one-day visit to Guyana. [REDACTED]

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Haiti: A mysterious fire, the second in six weeks, broke out in the presidential palace on the night of 29 August. An electrical short circuit was officially blamed for the blaze, but it will be difficult to convince the populace that both fires were accidental. Security forces have been on full alert since the fire on 23 July. The incident will further strain the political situation, unsettled in the wake of a major government reorganization and a shakeup of the armed forces. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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